

Cross-cutting Issue 4: System Funding (including the best use of current funds and new options that would support the “best” structure)

Michigan’s long tradition of progressive public policy for mental health services has been undermined by inadequate funding. State policy decisions to (a) maximize federal revenue through Medicaid and (b) diminish general fund appropriations to public mental health services have resulted in a two-tiered system of coverage and services, with people eligible for Medicaid much more likely to receive public mental health services than those without coverage who must rely on the general fund. Even so, Medicaid does not cover many people (approximately 45 percent) with serious mental illness because eligibility requires meeting a restrictive definition of disability and restrictive income requirements. The effect of this two-tier system is exacerbated by the dramatic differences in general fund support for mental health services per capita among Michigan’s counties. These inequities mark a crisis in the delivery of appropriate and effective services and supports throughout the state.

Average increases to general fund expenditures in the past 20 years have been less than the base reductions: the average annual increase of 1.0 percent has been more than offset by the average annual base reduction of 1.2 percent. General fund appropriations to mental health are a proposed \$317 million for Fiscal Year 2005, \$53 million less than it would be if COLA increases were granted for fiscal years 1999–2005. Moreover, Medicaid funding for mental health services has not benefited from COLA increases. Proposed FY 2005 Medicaid funding of \$1.4 billion is \$235 million less than it would be if COLA increases had been appropriated starting in FY 1999. As a result of this policy, the state has lost \$130 million in federal Medicaid matching dollars.

The state has used Medicaid waivers to fund a wider-ranging array of services and supports—especially psychological and social supports—than most, if not all, states. As Michigan may not have fully taken advantage of possibilities that would make more persons with mental illness eligible for Medicaid-funded services, creativity needs to be brought to the consideration of future Medicaid waivers.

Options

A transformed state mental health services system should provide equal access to an effective and efficient set of core services and supports, regardless of eligibility for Medicaid or county of residence. Public funding strategies should include federal, state, and local funds. The sources of these funds should have growth potential (beyond CPI inflation increases); be stable (non-cyclical); and be consistent with the state’s mental health mission.

- Make full use of all appropriate federal fund sources, including
 - Investigation of flexible Medicaid federal funds, including but not limited to a Section 1115 waiver
 - Adoption of TWWIIA “basic eligibility” and “medical improvement” policies
 - Implementation of Section 1619(b) to continue Medicaid eligibility for consumers who return
 - Full state implementation of EPSDT

- Coordination with FQHC services
- Pursue additional general fund appropriations for mental health services to rectify the absence of COLA increases.
- Investigate new, dedicated funds through special fees and assessments.
- Increase private reimbursement for mental health services through passage of a state parity law.
- Seek executive branch direction to braid funding streams through state agency compacts as cited by the children's services work group. In addition, the state of New Mexico is considering a state funding coordination model that should be explored.